

## Appendix F

State of Connecticut  
Department of Economic and Community Development

### JOB RETENTION AND CREATION AUDIT PROCEDURES FOR USE BY INDEPENDENT PUBLIC ACCOUNTANTS

#### Audit Planning – Procedures to be performed at DECD or Client's Office

	Done By	W/P Ref.
1. Review DECD Assistance Agreement and Business Proposal for conditions related to the determination of the number of full-time and/or part-time employment positions to be created and/or retained, the dates required achieving those positions, and the penalties related to not achieving such positions.	<hr/>	
2. Have Company fill out <i>Job Evaluation Form (DECD Sample Form B)</i> for period specified in Assistance Agreement when jobs were to be created and/or retained by or for earlier period if jobs met prior to the end date specified in the Assistance Agreement.	<hr/>	
3. If Independent Contractors and Subcontracted Employees are authorized to be included in the employee job totals, have Client fill out the <i>Job Evaluation Form – Subcontracted Employees (DECD Sample Form B-1)</i> and obtain <i>Subcontracted Employee Reporting Form (DECD Sample Form B-2)</i> for the period specified in Assistance Agreement when jobs were to be created and/or retained by or for earlier period if jobs met prior to the end date specified in the Assistance Agreement. Perform audit procedures using the <i>Audit Procedures for Testing Independent Contractors and Subcontracted Employees (DECD Sample Form D)</i> .		
4. Obtain listing of all employees from start of employment period being tested through the end of the period being tested (Usually 90 day period prior to job creation end date. The period reported by client in the <i>Job Audit Evaluation Form.</i> ) (The Employee List). The Employee List may be provided by the client along with the <i>Job Evaluation Form</i> or may have to be obtained at the client's location. The Company in lieu of a separately prepared employee listing may utilize the Payroll Register or DOL Form UC-5 depending on the number of employees involved.	<hr/>	

### Audit Procedures to be performed at Client's Office

5. Compare the monthly total number of employees reported by the Company on the *Job Evaluation Form (DECD Sample Form B)* with the number of employees listed on the Company's Payroll Register and Department of Labor (DOL) Forms UC-2 and UC-5A. Verify that the total number of employees listed on the Payroll Register, DOL Forms UC-2 and UC-5A were equal to or greater than the total number of employees reported on the *Job Evaluation Form*.

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6. Compare the number of full-time and/or part-time employees reported on the *Job Evaluation Form* with the employees included on the payroll register/journal. Verify accuracy of *Job Evaluation Form*. Investigate discrepancies.

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7. Interview appropriate client personnel (usually personnel and payroll staff) to obtain an understanding of the personnel and payroll process. Document process from initiation of signed W-4, use and approval of time cards/sheets, recording payroll expense in Cash Disbursements Journal and Payroll Register/Journal, recording in the employee earnings records, recording and submitting information to DOL on Form UC-2 and UC-5A and issuing Form W-2s.

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8. Using the Employee List, randomly select a sample of full-time and/or part-time employees for further testing of employment data using the *Job Audit Employee Payroll Test* workpaper (**DECD Sample Form C**). For the employees selected, examine documentation to determine that the positions met the requirements under the terms of the Assistance Agreement to be classified as full-time (usually an employee working a minimum of 35-40 hrs. per week for a minimum of 12 consecutive weeks or months) and/or part-time. (Employment count determined by terms of Assistance Agreement)

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  - Obtain payroll registers for the payroll periods to be examined (Select at least one payroll period in the first month and last month of the periods being tested).
  - Trace employee name, social security number, pay rate and classification, if necessary, from the payroll register to personnel records, including Form W-4. This documentation will be reviewed to determine that the existing employment record information is accurate (date of employment, termination, etc.)
  - Trace hours worked on time cards or time sheets to the payroll register to determine if full-time employee criteria met (if required by Assistance Agreement-for hourly employees only).
  - Trace employee name to DOL Form UC-2/UC-5A/B for three or twelve months tested.

9. If required by Assistance Agreement to create jobs for a certain time frame, obtain listing of all new hires for the specified time period. (Effective 1/1/95, all employers are required to report all new hires (With W-4) to the Department of Labor).
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- Trace new hires to payroll register for selected periods.
10. If discrepancies are found with any of the procedures tested, inquire of management the reasons for such and consider the need to apply one or more additional procedures. There may be a need to test additional pay periods or additional employees if employee failed to work at least 35-40 hours or other required criteria wasn't met. (A full-time hourly employee may not work 35-40 hours every week due to time taken off with or without pay. If necessary, select additional payroll periods to determine that employee met full-time employee status as specified in Agreement.)
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11. Complete job audit and conduct exit interview with Company discussing results of onsite job audit. Complete *Agreed-Upon Procedures Job Audit Report (DECD Sample Form A)*.
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**SAMPLE AGREED-UPON PROCEDURES JOB AUDIT REPORT**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of {name of entity}  
And the State of Connecticut Department of  
Economic and Community Development

We have performed the procedures enumerated below, which were agreed to by the State of Connecticut Department of Economic and Community Development (DECD) under the Job Creation and Retention provisions of the Financial Assistance Agreement (Agreement) dated {date} and the Job Audit Procedures and Reporting Format as prescribed by the DECD (Appendix F of the DECD Audit Guide). These procedures were performed solely to assist DECD in evaluating the compliance with the terms of the Agreement with (*The Company*). This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**BACKGROUND INFORMATION**

Provide a brief description of the information outlined in the Business Proposal and Assistance Agreement.

**Example:** (*The Company*) operates a manufacturing facility in XYZ, Connecticut. It has entered into an agreement with the State of Connecticut DECD to maintain a five-year average employment of 500 full time employees. The total financial assistance package consisted of a \$600,000 Manufactures Assistance Act (MAA) grant and a \$400,000 MAA loan. Under the terms of the Agreement, if certain employment levels are not maintained by (*The Company*), part of the grant/loan proceeds must be repaid in accordance with the formula outlined in Section ( ) of the Agreement. Conversely, in accordance with Article ( ), Section ( ) of the Agreement, if at least 500 employment positions are maintained by (*Date*), the principal of the loan shall be deemed to equal zero.

**AGREED UPON PROCEDURES**

The procedures performed were as follows:

1. We obtained the following documents from DECD and the management of (*The Company*):
  - Assistance Agreement and Business Proposal between DECD and (*The Company*).
  - Listing of all employees from the start of the project (*beginning date*) to the end of the project (*end date*) (the List).
2. We reviewed the DECD Assistance Agreement for the conditions related to the determination of full-time employment positions.
3. Using the List, we randomly selected (*number of employees tested*) employees for further testing of the employment data. For each selected employee, we obtained the employment records and examined evidence supporting the existence of the employee (signed W-4 or other documentation), and

determined that the employment information contained on the List (date of employment, and termination, assignment to new facility, etc.) was accurate.

{Report all Findings or indicate “We found no exceptions as a result of the procedures”.}

4. For the (*number of employees*) selected above, we examined documentation to determine that the positions met the requirements under the Agreement to be classified as full-time (usually full-time employees that work an average of 35-40 hours per week for at least 12 consecutive weeks/months prior to the end date specified in the Assistance Agreement).

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

5. Using the *Job Evaluation Form* provided by the Company, we compared the number of employees listed to the Payroll Register for the periods tested and have reported the total number of full-time and/or part-time employees on Schedule 1. We have made a determination that the requirements as stipulated in the Assistance Agreement regarding employment levels (have or have not) been met. We have calculated the following amount to be repaid to DECD in accordance with the formula outlined in Section ( ) of the Assistance Agreement. See attached Schedule 1.

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

6. The procedures performed for independent contractors were as follows (required only if independent contractors are authorized to be included in job totals):
  - a. Obtain IRS Form 1096 “Annual Summary and Transmittal of US Information Returns” from the Client and determine the total number on IRS Form 1099’s issued by the Client.
  - b. Compare total number of Independent Contractors listed on Job Evaluation Form-Subcontracted Employees with total number of Independent Contractors reported on IRS Form 1096.
  - c. For selected independent contractors, examine supporting documentation (i.e. invoices, statements, time sheets, etc.) to determine if independent contractor worked an average of at least 35-40 hours per week for at least 12 consecutive weeks/months for the Client.

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

7. The procedures performed for subcontractors were as follows (required only if subcontractors are authorized to be included in job totals):
  - a. Obtain subcontractor agreements entered into with Client.
  - b. For subcontracted employees, obtain a listing of the employees working at or providing services to Client during the employment period being tested.
  - c. For each subcontractor, randomly select at least 5 employees and examine supporting documentation (i.e. payroll register, individual earnings card, time sheets, check stubs, invoices, statements, etc.) to determine if subcontracted employee worked an average of at least 35-40 hours per week for at least 12 consecutive weeks/months providing services to Client.

{Report all Findings or indicate, “We found no exceptions as a result of the procedures”.}

8. If necessary, we inquired of Company management as to why the employment level reported was less than the amount to be created and retained.

{Report all Findings}

## CONCLUSION

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying employment records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the State of Connecticut DECD, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Manual or Printed Signature of Accountant's Firm  
{Date of Completion}

## Schedule 1

**State of Connecticut  
Department of Economic and Community Development  
Agreed-Upon Procedures – (*The Company*)  
Schedule of Employment Positions**

**1. Number of Full-Time and/or Part-Time Positions (depending on terms of the Assistance Agreement)**

<b>Month/Year</b>	<b>Qualified Employees</b>	<b>Independent Contractors</b>	<b>Subcontracted Employees</b>	<b>Total</b>
Jan				
Feb				
Mar				
Apr				
May				
June				
July				
Aug				
Sept				
Oct				
Nov				
Dec				

Expand form to include calculation of repayment, if necessary.

**2. Calculation of Penalty for failing to meet job retention/creation terms.**

# DECD Sample Form B

State of Connecticut – Department of  
Economic and Community  
Development

## **JOB EVALUATION FORM**

Date: \_\_\_\_\_

DECD Loan: \$ \_\_\_\_\_

DECD Grant: \$ \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

Jobs Retained: \_\_\_\_\_

Jobs Created: \_\_\_\_\_

Total: \_\_\_\_\_

### **JOB CREATION TIMEFRAME:**

Start Date: \_\_\_\_\_ End Date: \_\_\_\_\_

Full Time Positions at \_\_\_\_\_ = \_\_\_\_\_

		Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
JANUARY FEBRUARY MARCH	Year			

		Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
APRIL MAY JUNE	Year			

		Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
JULY AUGUST SEPTEMBER	Year			

		Full-Time Jobs Retained at Month End	Part-Time Jobs Retained at Month End	Total Jobs Retained
OCTOBER NOVEMBER DECEMBER	Year			

ATTESTED TO:

SIGNATURE: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_



## DECD Sample Form B-1

State of Connecticut  
Department of Economic and Community Development

### **JOB EVALUATION FORM - SUBCONTRACTED EMPLOYEES**

<b>Client:</b> _____ <b>Address:</b> _____ _____ _____	<b>Number of Jobs to be Retained:</b> _____ <b>Number of Jobs to be Created:</b> _____ <b>Total Jobs Created and Retained:</b> _____ <b>Date Employment Obligation to be met:</b> _____
<b>Contact:</b> _____ <b>Phone:</b> _____	

Month	Year	Total Full-Time Qualified Client Employees	Qualified Independent Contractors of Client	# of Subcontracted Employees			
				Company 1	Company 2	Others	Totals
Jan							
Feb							
Mar							
Apr							
May							
June							
July							
Aug							
Sept							
Oct							
Nov							
Dec							
<b>Totals</b>							
<b>Average</b>							

I hereby certify that the number of full-time qualified employees listed on this form are paid within the State of Connecticut, provided majority of their services to their Client in the CT facility, and worked an average of at least 35-40 hours per week for at least 12 consecutive weeks/months.

**Certified By:**

Signature: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

State of Connecticut  
Department of Economic and Community Development

## **SUBCONTRACTED EMPLOYEE REPORTING FORM**

(To be provided by Subcontractor Company providing employees to Client)

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

State: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

Month	Year	Total Full-Time Qualified Employees providing services to Client
Jan		
Feb		
Mar		

Apr		
May		
June		

July		
Aug		
Sept		

Oct		
Nov		
Dec		

<b>Totals</b>		
<b>Average</b>		

I hereby certify that the number of employees reported on this form and listed on the attached form(s) are paid within the State of Connecticut, provided a majority of their services to the client in CT, and worked an average of at least 35-40 hours per week for at least 12 consecutive weeks/months.

**Certified By:**

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## DECD Sample Form B-2 continuation sheet

State of Connecticut  
Department of Economic and Community Development

### ***SUBCONTRACTED EMPLOYEE REPORTING FORM***

(To be provided by Subcontractor Company providing employees to Client)

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

State: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

Provide a listing of employees and their positions for all employees that provided services to the Client during the employment period being reported to the Client. Use additional sheets if necessary.

	<b>Employee Name</b>	<b>Employee Position</b>		<b>Employee Name</b>	<b>Employee Position</b>
1			21		
2			22		
3			23		
4			24		
5			25		
6			26		
7			27		
8			28		
9			29		
10			30		
11			31		
12			32		
13			33		
14			34		
15			35		
16			36		
17			37		
18			38		
19			39		
20			40		

State of Connecticut  
Department of Economic and Community  
Development

## JOB AUDIT EMPLOYEE PAYROLL TEST

**Grantee:** \_\_\_\_\_

**Number of Jobs to be Retained:** \_\_\_\_\_

**Number of Jobs to be Created:** \_\_\_\_\_

**Total Jobs Created and Retained:** \_\_\_\_\_

**Date Employment Obligation to be met:**

**Employment Period Tested:** \_\_\_\_\_

**Payroll Periods Tested:** \_\_\_\_\_

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## Employment Data

## Per Job Evaluation Form

Mth./Yr.	Full Time	Part Time	Total	Total Per UC-2/5A	Total Per P/R Register

[illegible]

State of Connecticut  
Department of Economic and Community Development

**AUDIT PROCEDURES FOR TESTING INDEPENDENT CONTRACTORS  
AND SUBCONTRACTED EMPLOYEES USED TO DETERMINE TOTAL  
EMPLOYEES**

- All Independent Contractors working for and paid directly by the Client and Subcontractors working for and paid by a company other than the Client (the Company that entered into an Assistance Agreement with the State) that are paid within this state and that work an average of at least 35-40 hours per week for at least 12 consecutive weeks/months (refer to Contract Terms).
- All subcontracted employees must have provided services to the Client.

**Audit Procedures for Independent Contractors of Client:**

1. Obtain IRS Form 1096 "Annual Summary and Transmittal of US Information Returns" from the Client and determine the total number of IRS Form 1099's issued by Client.
2. Compare total number of Independent Contractors listed on *Job Evaluation Form – Subcontracted Employees (DECD Sample Form B-1)* with total number of Independent Contractors (IRS Form 1099s) reported on IRS Form 1096.
3. For selected independent contractors, examine supporting documentation (i.e. invoices, statements, time sheets, etc.) to determine if independent contractor worked an average of at least 35-40 hours per week for at least 12 consecutive weeks/months for the Client.

**Audit Procedures for Subcontractors hired by Client:**

1. Obtain subcontractor agreements entered into with Client pertaining to the Total Number of Subcontracted Employees reported on the *Job Evaluation Form – Subcontracted Employees*.
2. For subcontracted employees, obtain listing of names and positions for employees working at or providing services to Client. Have Subcontractor Company certify that employees worked in the State of Connecticut or provided majority of services to the Client in the State of Connecticut by filling out the *Subcontracted Employee Reporting Form (DECD Sample Form B-2)*.
3. Compare total number of subcontracted employees reported on *Job Evaluation Form – Subcontracted Employees (DECD Sample Form B-1)* with the information provided by subcontractor on the *Subcontracted Employee Reporting Form (DECD Sample Form B-2)* to agree the number of subcontracted employees that are providing services to the Client.
4. For each subcontractor, randomly select at least 5 employees and examine supporting documentation (i.e. payroll register, individual earnings card, time sheets, check stubs, invoices, statements, etc.) to determine if subcontracted employee worked an average of at least 35-40 hours per week for at least 12 consecutive weeks/months providing services to Client.
5. Determine that the total number of subcontracted employees do not exceed the ratio or number of qualified subcontracted employees to qualified client employees outlined in the client's proposal letter dated \_\_\_\_\_ or Assistance Agreement.